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### **Arizona treasurer announces record distribution for education**

SHOW LOW - Thanks to an improved investment performance, Arizona Treasurer Dean Martin says the permanent endowment fund has received a record amount of money, which will lead to record distribution for education.

Arizona's endowment fund, the earnings made from investing the proceeds of land sales, shot up to \$2.56 billion as of September 2007. Education is the primary beneficiary of the endowment, and Martin said \$270 million was made for education through the endowment at the end of fiscal year 2006/2007. Part of that money, \$69.26 million, will be given back to the schools.

"We are more than doubling the funds given to education this year," he said.

The amount distributed from the education endowment is up 114 percent, from approximately \$32.3 million.

Martin was at the Show Low Library Nov. 1 to discuss the record performance and what it meant for the schools in Arizona and the White Mountains. He said the number is determined from a five-year rolling average. The \$69.26 million is 20 percent of investment earnings from the past five years.

Martin said the five-year rolling average provides "some stability to the beneficiaries." By distributing only part of the earnings and investing the rest, he said, the schools would enjoy the benefits of the record investment performance over a long period of time.

"We're going to see the rewards of this year towards the next five years," he said.

Distributed among Arizona schools, Martin said the \$69.26 million comes out to approximately \$1,400 a classroom, or \$79 a student. For the Show Low School District and their 2,400 kids, that means approximately \$190,000 based on Martin's numbers. That money, he said, can go toward five different areas.

First off, a minimum of 40 percent of the distribution would go toward teacher pay raises. After that, the districts are free to spend the rest of the money to reducing class sizes, teacher training, AIMS assistance and dropout prevention programs.

Money for the endowment comes from the sale of state trust lands. Every state that joined the country after the formation of the 13 Colonies was given state land grants by the federal government. Beneficiaries receive the proceeds from each sale of state land, and K-12 education is the largest beneficiary in the state.

However, Martin added, the founders of the state of Arizona learned from what other states in the union were doing. He said the founders saw other states were immediately spending what they earned from selling the land and were running out of the money. Instead of doing that, he said they tried something different.

"This was the genius of our founding fathers," he said. "Rather than the one-time spending of the dollars, you can allow this to earn and produce money forever."

Now, whenever Arizona sells state trust land, the money made from the sale is put in the endowment and is invested. And to ensure the endowment does not run out of money, Martin said, only money made through the investments is distributed.

"Only the proceeds from the investment is spent," he said. "Even if we sell the land, we want to preserve the land and make sure it is always producing for the beneficiaries. Education will always get the money from the land even if the land is gone."

Martin pointed to the sale of Desert Ridge, which occurred about a year ago. It was a \$150 million land sale, so \$150 million went into the endowment. Martin said there were other recent land sales that the state will collect on for several years to come.

"We're really excited because we got all this land that's already been sold and we're going to get the dollars over the next seven years," he said. "Even if they stop selling land today, we're still going to get another billion dollars in the endowment."

Arizona got 8.1 million acres of state trust land when it became a state, Martin said. He added they have nearly that same amount of land remaining since not much of it is sold every year. With state trust lands being the only government land that can become private, those lands represent areas where growth could occur.

"We only sell a few thousand acres a year," he said. "It is an asset that is going to be with us for another couple hundred years."

To make the money grow in the endowment, Martin said it takes a smart investment strategy. He said his approach is to provide more resources in the trading room, tripled since he came in as treasurer, and improved technology to get better penetration in the market.

"We really put a focus on putting experts in the trading room and giving them the best resources," he said.

When investing the money, it is put in a wide range of accounts. Martin said they invest half in U.S. Government and U.S. Corporate bonds and the other half in stocks. He added they buy everything in the S&P 500 and the top 200 stocks in the S&P 400.

The approach paid off last year, Martin said. In growing the endowment to \$2.6 billion, he said their rate of return was 11.98 percent, the first time in Arizona's history they had a double-digit rate of return on their investments.

"It took 90 years for the endowment to grow a billion dollars in size," he said. "It took seven years to get the second billion."

Not only has the endowment reached \$2.6 billion and Arizona's schools reap the rewards, it is also not subject to legislation. He said while an economic slowdown may affect the state's budget, the endowment is safe from appropriation.

"It's not the government's money," he said. "It's the school's money."

"(The endowment) is the only way we can get more money for education without raising taxes."

With this approach to investment and distributing gains, Martin said the endowment ensures that education gets the money it deserves.

"Education is a permanent need," he said. "We want to start planning not only for the next five years, but the next 50 years. There's never enough money for education."

**By: Sean Dieterich,** The Independent